



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

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Fifth District

November 15, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**DEFERRED COMPENSATION AND THRIFT PLAN (HORIZONS) AND SAVINGS
PLAN TRUST AGREEMENT AMENDMENT
(3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Chair to sign the attached amendments to the Deferred Compensation and Thrift Plan ("Horizons") and Savings Plan Trust Agreement with Wells Fargo Bank, N.A. ("Trustee" and formerly Norwest Bank Colorado, N.A.) that will permit the Plans to include a "Group Trust" as an investment option, clarify Trustee investment authority, and reflect the current name of the Trustee.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The attached amendments shall allow the Trustee to permit the investment of Horizons and Savings Plan assets with fund managers offering a Group Trust arrangement. Such arrangements are exclusively offered to institutional investors and provide clients with substantially lower fees compared to retail mutual funds.

In addition, the Savings Plan and Deferred Earnings Plan Trust amendment includes clarification of the Trustee's investment authority; current language to mirror the Horizons Trust.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Approval of the amendments will contribute to the achievement of Strategic Goal 2, Workforce Excellence, by improving employee morale by providing qualified investment options at lower cost.

FISCAL IMPACT/FINANCING

Adoption of the attached trust amendments will result in no fiscal cost to the County since all Plan expenses are paid from participant assets.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Horizons Plan and Savings Plan each have grown to considerable asset size since their inception, \$3.6 billion and \$1.0 billion, respectively. During that growth, each has acquired substantial leverage in selecting investment options and negotiating corresponding fees.

The Plans were originally restricted to purchasing shares of retail mutual funds and paying investment management fees comparable to retail customers. The growth of plan assets over the years has made the purchase of institutional mutual fund shares an option with its reduced investment management fees. With both types of mutual funds, the trust owns shares of the mutual fund. Whereas with the less costly separately managed account, the trust has a custodian hold to the invested plan assets in the form of either stocks or cash as directed by an investment manager. Not as common are Group Trust arrangements. By participating in a Group Trust, qualified retirement plans (such as the Savings Plan) and eligible deferred compensation plans (such as Horizons) maintained by governmental employers may pool or "commingle" their assets without effecting the tax-exempt status of any of the separate trusts and provide tax advantaged earnings. This is on condition that the Group Trust be established and operated consistent with IRS guidelines.

Pursuant to such IRS guidelines, the trust agreement for each participating plan in a Group Trust must specifically authorize the investment of trust assets in a Group Trust that satisfies certain IRS requirements. The IRS has provided model language for such a trust amendment as reflected in the attached amendments. In addition, the proposed amendment to the Savings and Deferred Earnings Plan Trust Agreement makes the Investment Article similar to the parallel Article in the Horizons Trust Agreement, which includes more specific investment authorization for typical investment vehicles such as mutual funds and separately managed accounts.

The respective Plan Administrative Committees, with representatives from SEIU Local 660 and the Coalition of County Unions, for Horizons and the Savings Plan have recently selected investment managers utilizing the Group Trust arrangement. Incorporation of those managers into the Plan's investment strategy have been placed on hold pending Board approval of the amended Trust Agreements.

Honorable Board of Supervisors
November 15, 2005
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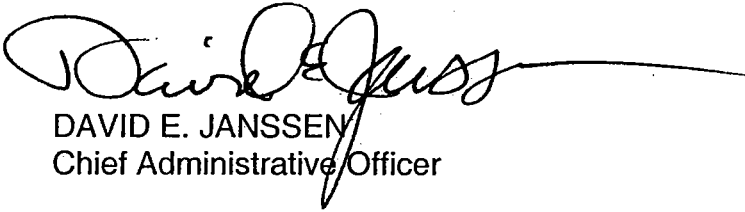
The amendment shall also reflect the current name of the Trustee, Wells Fargo Bank, N.A.

The proposed amendments have been approved as to form by County Counsel.

IMPACT ON CURRENT SERVICES

None.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David E. Janssen", with a long horizontal flourish extending to the right.

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SRH
WGL:DT:df

Attachments

c: County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller
Coalition of County Unions, AFL-CIO
SEIU, Local 660, AFL-CIO

The Trust Agreement between the COUNTY OF LOS ANGELES and WELLS FARGO BANK, N.A. (formerly Norwest Bank Colorado, N.A.) for the County of Los Angeles Deferred Compensation and Thrift Plan dated December 24, 1998, is hereby amended as follows:

TITLE. The title of the Trust Agreement is hereby amended as follows:

Trust Agreement

between the

COUNTY OF LOS ANGELES and WELLS FARGO BANK, N.A.

for the

County of Los Angeles Deferred Compensation and Thrift Plan

ARTICLE V. Section 5.3 is hereby amended to add:

5.3 Powers Necessarily and Reasonably Implied.

(q) Notwithstanding any contrary provision in the instrument governing the Plan, in accordance with proper direction, the Trustee may transfer assets of the Plan to a group trust that is operated or maintained exclusively for the commingling and collective investment of monies provided that the funds in the group trust consist exclusively of trust assets held under plans qualified under Code section 401(a), individual retirement accounts that are exempt under Code section 408(e), and eligible governmental plans that meet the requirements of Code section 457(b). For this purpose, a trust includes a custodial account that is treated as a trust under Code section 401(f) or under Code section 457(g)(3). For purposes of valuation, the value of the interest maintained by the Plan in such group trust shall be the fair market value of the portion of the group trust held for the Plan determined in accordance with generally recognized valuation procedures.

IN WITNESS WHEREOF, the parties hereby sign and execute this amendment to the Trust Agreement between the COUNTY OF LOS ANGELES and WELLS FARGO BANK, N.A. for the County of Los Angeles Deferred Compensation and Thrift (Horizons) Plan this _____ day of _____, 2005.

WELLS FARGO BANK, N.A.

Signature: _____

Name: _____

Title: _____

COUNTY OF LOS ANGELES

By: _____
Supervisor Gloria Molina, Chairman

APPROVED AS TO FORM:

County Counsel

By: 

The Trust Agreement between the COUNTY OF LOS ANGELES and WELLS FARGO BANK, N.A. (formerly Norwest Bank Colorado, N.A.) for the County of Los Angeles Savings Plan and Deferred Earnings Plan dated June 11, 1997, is hereby amended as follows:

TITLE. The title of the Trust Agreement is hereby amended as follows:

Trust Agreement
between the
COUNTY OF LOS ANGELES and WELLS FARGO BANK, N.A.
for the
County of Los Angeles Savings Plan and Deferred Earnings Plan

ARTICLE V. Article V is deleted in its entirety and restated as follows:

POWERS AND DUTIES OF TRUSTEE

5.01 Investments.

(a) The Trustee shall administer the Trust as a nondiscretionary trustee and shall have no discretion or authority with regard to the investment of the assets of the Trust, but shall carry out investments as directed by the Plan Administrator or Participants as provided below. The Trustee shall have the right, power and authority to take any action or to enter into and carry out every agreement with respect to the Trust that may be necessary or advisable to discharge its investment responsibility as directed by the Plan Administrator or Participants.

(b) Except as provided in Section 5.01(c) and under the terms of the Plan, the Plan Administrator shall have the authority, control over and responsibility for the management, disposition and investment of the Trust's assets and shall select the Investment Funds offered under the Plan. The Plan Administrator shall not issue a direction in violation of the terms of the Plan or this Agreement.

(c) Under the Plan, each Participant may exercise investment authority and control over certain portions of his or her Account maintained for him or her, and may direct the investment and reinvestment of such assets in the Investment Funds. To the extent a Participant directs the investment of some or all of his or her Account, his or her investment instructions shall be communicated to the Trustee pursuant to procedures established by the Plan Administrator. If the Participant who has investment authority under the terms of the Plan fails to provide directions, the Plan Administrator shall direct the investment of the affected Plan assets. The Trustee shall have no duty or responsibility to review or make recommendations regarding investments made at the direction of Participants, and, if a Participant exercises control over the investment of his or her Account, the Trustee shall not be liable for any loss which results from such Participant's exercise of control.

(d) The Trustee shall comply with, and may act only upon receiving, specific, proper, written directions from the Participant, the TPA on behalf of the Participant or the Plan Administrator, as the case may be. Upon receipt of direction from the Plan Administrator, the TPA or the Participant with respect to the investment of the assets of the Plan, the Trustee's sole responsibility with respect to the assets subject to such direction shall be to determine that such direction is proper and in accordance with the terms of the Plan, and the Trustee shall have no duty or responsibility to review, initiate action or make recommendations regarding the Trust assets to which such direction applies.

5.02 Proxies and Other Securities Voting Rights.

The Trustee shall immediately forward to the Plan Administrator all proxies and other securities voting rights materials. Except for this duty to forward materials, the Trustee shall have no duty to exercise proxy or other voting rights related to any investment under the Plan except to the extent it is directed to act by the Plan Administrator.

5.03 Powers Necessarily and Reasonably Implied.

The Trustee shall have all powers necessarily and reasonably implied from those powers expressly granted by this Agreement, including, but not limited to, the following powers which may only be exercised with proper direction, unless otherwise provided:

(a) In accordance with proper direction, to purchase, receive, or subscribe for any securities or other property and to retain in trust such securities or other property.

(b) In accordance with proper direction, to sell, at public or private sale, for cash or on credit, to grant options, convert, redeem, exchange for other securities or other property, to enter into standby agreements for future investment, either with or without a standby fee, or otherwise to dispose of, any securities or other property at any time held by it.

(c) In accordance with proper direction, to settle, compromise or submit to arbitration any claims, debts, or damages, due or owing to or from the Trust, to commence or defend suits or legal proceedings and to represent the Trust in all suits or legal proceedings in any court of law or before any other body or tribunal.

(d) In accordance with proper direction, to trade in financial options and futures, including index options and options on futures and to execute in connection therewith such account agreements and other agreements, as shall be necessary.

(e) In accordance with proper direction, to exercise, in person or by proxy, all voting rights, tender or exchange rights, any conversion privileges, subscription rights and other rights and powers available in connection with any securities or other property at any time held by it; to oppose or to consent to the reorganization, consolidation, merger, or readjustment of the finances of any corporation, company or association, or to the sale, mortgage, pledge or lease of the property of any corporation, company or association any of the securities which may at any time be held by it and to do any act with reference thereto, including the exercise of options, the making of agreements or subscriptions and the payment of expenses, assessments or subscriptions, which shall

be necessary in connection therewith, and to hold and retain any securities or other property which it may so acquire; and to deposit any property with any protective, reorganization or similar committee, and to pay and agree to pay part of the expenses and compensation of any such committee and any assessments levied with respect to property so deposited.

(f) In accordance with proper direction, to borrow money in such amounts and upon such terms and conditions as shall be directed to carry out the purposes of the Trust and to pledge any securities or other property for the repayment of any such loan.

(g) In accordance with proper direction, to invest all or a portion of the Trust assets in contracts issued by insurance companies, including contracts which provide for the allocation of amounts thereunder to the insurance company's general account and/or to one or more of its separate accounts or commingled separate accounts managed by the insurance company for the collective investment of assets of retirement plans.

(h) In accordance with proper direction, to manage, administer, operate, lease for any number of years, develop, improve, repair, alter, demolish, mortgage, pledge, grant options with respect to, or otherwise deal with any real property or interest therein at any time held by it, and to hold any such real property in its own name or in the name of a nominee, with or without the addition of words indicating that such property is held in a fiduciary capacity.

(i) In accordance with proper direction, to renew, extend or participate in the renewal or extension of any mortgage, and to agree to a reduction in the rate of interest on any mortgage or of any guarantee pertaining thereto; to waive any default, whether in the performance of any covenant or condition of any mortgage or in the performance of any guarantee, or to enforce any such default; to exercise and enforce any and all rights of foreclosure, to bid on property in foreclosure, to take a deed in lieu of foreclosure with or without paying consideration therefore, and in connection therewith to release the obligation on the bond secured by such mortgage, and to exercise and enforce in any action, suit or proceeding at law or in equity any rights or remedies in respect to any such mortgage or guarantee.

(j) To employ suitable agents and counsel and, with the approval of the Plan Administrator, to pay their reasonable and proper expenses and compensation out of the Trust assets to the extent they are not paid by the Employer; and the Trustee shall not be liable for any loss occasioned by any such agent selected by the Trustee with reasonable care.

(k) In accordance with proper direction, to purchase and sell foreign exchange and contracts for foreign exchange.

(l) In accordance with proper direction, to form corporations or partnerships and to create trusts to hold title to any securities or other property.

(m) To register any securities held by it hereunder in its own name or in the name of a nominee with or without the addition of words indicating that such securities are held in a fiduciary capacity and to hold any securities in bearer form and to deposit any securities or other property in a depository or clearing corporation; provided, however,

that the Trustee shall be responsible for any loss caused by failure to identify that the securities are held in a fiduciary capacity.

(n) To make, execute and deliver, as Trustee, with or without a provision for no individual liability on its part, any and all deeds, leases, mortgages, conveyances, waivers, releases, or other instruments in writing necessary for the accomplishment of any of the foregoing powers in this Section.

(o) To hold that portion of the Trust assets as directed by the Plan Administrator for ordinary administration and for the disbursement of funds in cash, without liability for interest, by depositing the same in any bank (including deposits which bear a reasonable rate of interest in a bank or similar financial institution supervised by the United States or a State, even where a bank or financial institution is the Trustee, or otherwise is a fiduciary of the Plan), subject to the rules and regulations governing such deposits, and without regard to the amount of any such deposit.

(p) In accordance with proper direction, the assets of the Trust may be invested and reinvested, in whole or in part, in any common or collective Investment Fund maintained by an Investment Manager in which the Trust is eligible to participate. Notwithstanding any other provision of this Agreement, to the extent Trust assets are invested in any such Investment Fund, the terms of the Fund's governing instrument shall govern the investment responsibilities and powers of the Investment Manager, and the terms of such governing instrument shall be incorporated into this Trust Agreement. The value of any interest in a fund held by the Trust shall be the fair market value of the interest as determined by the Investment Manager in accordance with the Fund's governing instrument. For purposes of valuation of the Trust assets, the Trustee shall be entitled to rely conclusively on the value reported by the Investment Manager.

(q) Notwithstanding any contrary provision in the instrument governing the Plan, in accordance with proper direction, the Trustee may transfer assets of the Plan to a group trust that is operated or maintained exclusively for the commingling and collective investment of monies provided that the funds in the group trust consist exclusively of trust assets held under plans qualified under Code section 401(a), individual retirement accounts that are exempt under Code section 408(e), and eligible governmental plans that meet the requirements of Code section 457(b). For this purpose, a trust includes a custodial account that is treated as a trust under Code section 401(f) or under Code section 457(g)(3). For purposes of valuation, the value of the interest maintained by the Plan in such group trust shall be the fair market value of the portion of the group trust held for the Plan determined in accordance with generally recognized valuation procedures.

IN WITNESS WHEREOF, the parties hereby sign and execute this amendment to the Trust Agreement between the COUNTY OF LOS ANGELES and WELLS FARGO BANK, N.A. for the County of Los Angeles Savings Plan and Deferred Earnings Plan this _____ day of _____, 2005.

WELLS FARGO BANK, N.A.

Signature: _____

Name: _____

Title: _____

COUNTY OF LOS ANGELES

By: _____
Supervisor Gloria Molina, Chairman

APPROVED AS TO FORM:

County Counsel

By: 